

## Message Text

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63

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 XMB-02 TRSE-00 STR-04 SS-15

CIAE-00 INR-07 NSAE-00 /046 W  
----- 052260

R 191602Z AUG 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 6229

INFO USDOC WASHDC

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E.O. 11652: N/A

TAGS: USEGJC, EFIN, EINV, EG

SUBJECT: GOODYEAR TIRE MANUFACTURING PLANT

REF: CAIRO 9530 (NOTAL)

1. GOODYEAR \$40 MILLION TIRE MANUFACTURING  
JOINT VENTURE, PROPOSED TWO YEARS AGO, APPEARS TO  
BE GOING FRRTHER ASTRAY ACCORDING TO GOODYEAR  
REP CHARLES FRANK.

2. INFORMAL LETTER OF INTENT SIGNED WITH MICHELIN  
(FRANCE) BY MINECON SHAFEI EARLIER THIS YEAR LACKED  
OFFICIAL APPROVAL, BUT ACTION SIGNIFICANTLY UNDERCUT  
GOODYEAR POSITION. ONE OF KEY FACTORS IN DECISION  
WAS MICHELIN ASSURANCE THEY WOULD REQUIRE NO  
GUARANTEE OF FOREIGN EXCHANGE AVAILABILITY. DURING  
LAST SEVERAL MONTHS, DECISION ON BOTH PROPOSALS HAS  
BEEN DELAYED BECAUSE MICHELIN FAILED TO INCLUDE  
TECHNICAL ASSISTANCE COMPONENT FOR EGYPTIAN PARTNER.  
(GOODYEAR CLAIMS MICHELIN CANNOT OFFER DIRECT  
TECHNICAL ASSISTANCE, WHICH STALEMATED GOE-MICHELIN  
DISCUSSIONS FOR SOME TIME.)

3. IN RESPONSE TO MICHELIN OFFER, GOODYEAR UPPE  
EXPORTS TO 35 PERCENT OF PRODUCTION AND TRIMMED  
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FOREIGN EXCHANGE REQUIREMENT FROM \$18 MILLION TO

\$5.5 MILLION ANNUALLY (MAINLY BY REDUCING TOTAL OUTPUT) - STILL SUBSTANTIALLY ABOVE THE ZERO FIGURE MICHELIN MAINTAINS THEY CAN LIVE WITH. GOODYEAR ALSO BROADENED TECHNICAL ASSISTANCE PROVISIONS OF THEIR PROPOSAL.

4. WITHIN LAST TEN DAYS, MICHELIN SENT FIVE-MAN, HIGH-LEVEL DELEGATION TO EGYPT TO PRESENT AMENDMENT TO INITIAL PROPOSAL. ACCORDING TO GOODYEAR, MICHELIN PROPOSES TO SUB-CONTRACT TECHNICAL ASSISTANCE PORTION (WHICH IS NOW SIMILAR TO GOODYEAR OFFER) TO SIMCA OR ANOTHER AGENCY. GOODYEAR CLAIMS AMENDMENT SO WELL-RECEIVED BY GOE INVESTMENT AUTHORITY THAT MICHELIN HAS ALREADY APPROACHED LOCAL CONSULTANT TO DEVELOP SPECIFICATIONS FOR CONSTRUCTION TENDER.

5. FRANK EVIDENTLY FEELS THIS MAY HAVE SOUNDED FINAL DEATH KNELL TO GOODYEAR'S CHANCES HERE. HE IS HOPING TO DELAY ANY POSITIVE ACTION ON MICHELIN PROPOSAL UNTIL AFTER FALL ELECTIONS SO THAT GOODYEAR MAY BE ABLE TO POINT OUT DEFICIENCIES IN AMENDMENT TO NEW OFFICIALS. UNLESS GOE CAN BE CONVINCED OF UNREALISTIC ASPECT OF MICHELIN'S GUARANTEE TO SUBSIST WITHOUT FOREIGN EXCHANGE AND THE PROMISE TO EXPORT 50 PERCENT OF PRODUCTION, IT IS DOUBTFUL GOODYEAR PROPOSAL WILL BE ACCEPTED.

5. AMBASSADOR QUERIED MINECON SHAFEI AUGUST 19 ON STATUS GOODYEAR AND MICHELIN PROJECTS. SHAFEI CLAIMED GOE IS STILL AWAITING MICHELIN "FEASIBILITY SUTYD, BUT THOUGHT MICHELIN TEAM WOULD ARRIVE IN A FEW DAYS. (IT IS POSSIBLE HE DOES NOT KNOW OF TEAM'S PRESENCE.) ONCE PROJECT NEGOTIATIONS WITH MICHELIN FINALIZED, GOE WILL COMPARE MICHELIN AND GOODYEAR OFFERS TO DETERMINE WHICH IS THE MORE ADVANTAGEOUS OF THE TWO. THIS COMPARISON, ACCORDING TO SHAFEI, WILL BE MADE BY HASSAN ABDUL FATAH OF GENERAL ORGANIZATION FOR INDUSTRIALIZATION. GIVEN THE FACT THAT RAMADHAN IS IMMINENT, AND ALL WORK SLOWS DOWN DURING THE FASTING MONTH, SHAFEI OPINED A DECISION ON THE MATTER IS NOT LIKELY FOR LIMITED OFFICIAL USE

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AT LEAST A MONTH OR MORE. AMBASSADOR URGED THAT GOODYEAR BE GIVEN ALL DUE CONSIDERATION.  
EILTS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TIRES, INDUSTRIAL PLANTS, JOINT VENTURES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 AUG 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976CAIRO11180  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760319-0013  
**From:** CAIRO  
**Handling Restrictions:** n/a  
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**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 CAIRO 9530  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 JUN 2004 by BoyleJA>; APPROVED <13 OCT 2004 by ElyME>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOODYEAR TIRE MANUFACTURING PLANT  
**TAGS:** EFIN, EINV, EG, USEGJC, GOODYEAR  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006